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UNCLAS SECTION 01 OF 02 CHIANG MAI 000252

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SUBJECT: BUILD IT AND THEY WILL COME: THAILAND PLANS NEW MEKONG PORT TO BOOST CHINA TRADE

REF: A) CHIANG MAI 214 B) CHIANG MAI 218 (04)

11. (U) Summary Although the Mekong River trade between northern Thailand and southern China has not lived up to expectations, the Thai government plans to build a second, larger, port in Chiang Rai. End summary
12. (U) The Thai government has off and on talked about building a second port on the Mekong River to supplement the three-year-old port at Ch where Thailand, Burma, and Laos meet. Despite continued doubts over the economic viability of a new port, Deputy Transport Minister and Thai Rak Thai Party (TRT) Deputy Secretary General Phumtham Wechayacha
13. (U) The \$25 million project has a number of dissenters. Private dock owners say a new government-run port is not needed and would not bring substantial returns. Others argue that after the scheduled sending goods upstream. Local residents and cultural preservationists oppose building so close to the ruins of the ancient capital of Chiang Saen, which has been proposed for consideration as a Wc

SPRINGBOARD TO ASEAN

14. (SBU) As justification for a second port, Deputy Minister Phumtham reported that China is giving greater priority to water transport devel Yunnan. A ministry document summarizing the trip noted that the Chinese government's "Look South Economic Strategy" aims to develop Kunming as a logistics center with Thailand as a springboard to ASEAN.
15. (U) According to Chinese statistics cited in the ministry's trip report, China annually ships 500,000 tons of cargo down the Mekong to northern Thailand. In making his decision, Phumtham reli goods, oil, and natural gas. Phumtham also used tourism prospects to justify the economic viability of the project. Noting that Yunnan gets 3 million visitors per year, Phumtham set as a goal attracting 10 percent, or 300,000, who would journey further into T

16. (U) In fact, the value of Thai exports through Chiang Saen increased from \$27.4 million in 2004 to \$70.3 million in 2005 for the January-

TRADING ON THE SHADY SIDE

17. (SBU) Although the current Chiang Saen port has a capacity of 200,000-300,000 tons per year, official customs records show the port serves government port. Newspaper and unofficial accounts suggest that these private docks handle more cargo than what gets reported and that they may also be involved in human smuggling. Because of these complications, the port manager said no one from Bangkok headquarters wanted to be posted at Chiang Saen; he himself expressed
18. (U) The new port is to be built at Sop Kok point where the Mae Kok River merges with Mekong outside of Chiang Saen district, five kilomet

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technology and have a capacity of 4,000 tons a day. The first phase of construction is expected to be completed in 2008. A second phase would be completed in 2017 if justified by increased cargo levels. \$ 25 million) for construction; 50 million baht (US\$1.2 million) has been appropriated for land acquisition.

19. (SBU) Although Chiang Khong has also been discussed as a port location, Apisit said the government has designated Chiang Saen as the cent

110. (U) COMMENT: The Thai government is placing its bets on China's plan to use Thailand as a springboard to ASEAN and on the hope that the operators to export their goods north. The higher cost of shipping goods upstream also hobbles Thai exporters, who may find the future road link more cost-effective and easier to control than the river

111. (SBU) Comment continued: When Thailand and China signed an "Early Harvest" partial free trade agreement in October 2003, northern Thai rice farmers hoped that it would allow them to ship rice directl CAMP